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FOREIGN AGRICULTURE

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THE
UNITED NATIONS
WORLD
FOOD CONFERENCE

5-16 NOVEMBER, 1974 ROME

October 28, 1974

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. XII • No. 43 • Oct. 28, 1974

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This week's cover:

Symbol of the World Food Conference, convening in Rome on November 5-16, expresses the WFC's objective of global action on problems of food and agriculture. Articles beginning on page 8 provide a background for the U.S. role at the Conference.

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The Secretary of Agriculture has determined that publication of this periodical is necessary in transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Office of Management and Budget (May 14, 1974). Yearly subscription rate: \$20.00 domestic, \$25.00 foreign; single copies 45 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

Mideast-North Africa Steps Up Imports of U.S. Farm Products

By JOHN B. PARKER, JR.
and MICHAEL E. KURTZIG
Foreign Demand and Competition Division
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By introducing water and fertilizer to desert areas such as those near Al Kharj (top, right), farmers in Saudi Arabia have added thousands of acres for crops and grazing. Most grain grown in Turkey is harvested by hand (above). Bags of cotton (right) arriving at modern cotton mill in the Antalya area of Turkey.





EXPORTS of U.S. agricultural products to the Mideast and North Africa continue to soar as the region's mounting oil revenues are translated into expanded demand and grain crops again fall short of expectations.

While bolstering immediate demand for farm products, these larger revenues are bringing important permanent changes in agricultural needs and plans of the region, in addition to fostering stiff competition from other suppliers.

During fiscal 1974, U.S. farm exports to the region¹, which stretches from Morocco to Iran, totaled nearly \$1.4 billion—almost triple the previous year's level. In fiscal 1975, sales are seen bounding by 30 percent to \$2 billion.

While such exports now exceed combined shipments to the USSR and the People's Republic of China, they still account for a relatively small share of total U.S. farm trade—6.7 percent in fiscal 1974 compared with 4.2 percent the year before. However, that share could rise to 10 percent in fiscal 1975.

The export expansion in fiscal 1974 saw further growth in the Mideastern and North African markets for basic commodities, largely grains and vegetable oils. However, there were also some spectacular gains in processed food sales, especially to Arabian Peninsula countries.

Wheat was far the most important product shipped last year, as well as one of the biggest percentage gainers—up more than fourfold from fiscal 1973 to \$687 million.

Other leaders were corn, up 237 percent to \$101 million; vegetable oils, 77 percent to \$117 million; rice, 150 percent to \$90 million; and wheat flour, 104 percent to \$51 million.

For fiscal 1975, much of the growth again is expected to be in wheat exports—especially to Iran and Turkey—reflecting generally poor crops in the area as well as increased demand. Much larger sales of rice to Iran, Iraq, and the Arabian Peninsula are also being made.

In addition, expansion is forecast for vegetable oils and tobacco, as well as for a wide variety of processed foods

especially to the Arabian Peninsula. Some of the latter items include tomato products, canned fruits and juices, canned peas and beans, honey, and popcorn.

The major factor behind the buoyant demand for U.S. food is the tremendous gain in foreign exchange holdings because of sharply higher petroleum prices since last fall.

The demand for food was present before this development, but shortages of foreign exchange—particularly in Egypt—limited food imports into some countries in the area prior to 1973.

Now, however, large petroleum exporters—including Saudi Arabia, Kuwait, and Abu Dhabi—are transferring capital to net petroleum importers such as Egypt, Lebanon, and Syria, providing funds for much larger agricultural imports by these countries.

Petroleum revenues are being used by Saudi Arabia, Iraq, Iran, and Kuwait to subsidize imports of basic products. Iran's food imports, for instance, are rising at an astonishing rate as programs to provide subsidized bread, rice, and cooking oil are implemented.

AMONG THE PRODUCTS affected is U.S. rice, shipments of which are expected to reach \$300 million in fiscal 1975—more than triple last year's record.

Additionally, some countries are following Kuwait's example of distributing petroleum revenues to their peoples and providing high salaries for skilled workers. As a result development programs will soon bring electricity to millions of rural residents in Iran, Iraq, Egypt, and the Arabian Peninsula; many families are buying refrigerators for the first time; and food marketing methods are changing.

Such policies tend to bring quick increases in demand for meat and dairy products, consumer-ready items, and other high-quality foodstuffs.

Some nations, such as Iran, are also emphasizing their own agricultural development. This has led to ambitious agricultural projects for basic grain crops, cash crops like sugar and cotton, and livestock.

The latter is generating greater demand for feedgrains and high-protein feed ingredients such as soybeans.

Diets also are likely to change as programs are launched to provide better nutrition for school children and as increased purchasing power puts higher

¹ Includes Algeria, Morocco, Tunisia, Egypt, Saudi Arabia, Iraq, Lebanon, Sudan, Jordan, Kuwait, Libya, Yemen Arab Republic, United Arab Emirates, People's Democratic Republic of Yemen, Bahrain, Syria, Qatar, Oman, Israel, Iran, Turkey, and Cyprus.

quality foods within reach of more people. Already, diets in western Asia now include more calories and protein than they did 2 years ago.

At the same time, population growth of more than 2.5 percent annually is steadily increasing the overall need for food and agricultural products.

As in all viable markets, prospects for increased sales have attracted other exporters, resulting in increasingly stiff competition from Australia, the European Community, Pakistan, Thailand, and Brazil.

AUSTRALIA has expanded deliveries of live animals, meat, dairy products, and canned fruit.

The European Community is selling more wheat, beef, frozen poultry, powdered milk, butter, bakery products, and canned foods.

Pakistan and Thailand are selling more rice, and Brazil has entered the scene as an important supplier of rice, sugar, coffee, and soybean products. Even Japan is sending more bakery products and canned fruit to Iran and the Arabian Peninsula, while India's exports of fresh fruit to Kuwait and Gulf shiekdoms are rising rapidly. The competition from other countries and effective demand for U.S. products vary, depending upon the commodity involved.

Wheat. U.S. wheat exports to the Mideast and North Africa doubled between fiscal 1973 and 1974, reaching 4.2 million tons as gains were made in sales to all major markets. It now appears that wheat shipments will climb to more than 5 million tons in fiscal 1975 for a value of nearly \$900 million.

U.S. sales to Turkey currently are forecast at around 800,000 tons—more than double the 318,000 tons delivered in fiscal 1974. Total wheat purchases by Turkey are forecast at 1.5 million tons, including supplies from Europe, especially France.

A smaller-than-expected crop, combined with buoyant consumer demand and a favorable foreign exchange position, account for the anticipated trade.

Iran already has purchased about 1.7 million tons of U.S. wheat for fiscal 1975 delivery—triple the 584,000 tons shipped during fiscal 1974. U.S. exports of wheat to Egypt are expected to exceed the 695,000 tons delivered in fiscal 1974. Sales to Iraq, which zoomed from only 13,000 tons in fiscal 1973 to 392,000 in fiscal 1974, will probably

not change much in volume this year, but value will be higher because of increased prices.

In fiscal 1975, North Africa is expected to take slightly more wheat than in fiscal 1974—1.4 million tons. Algeria's 1974 wheat crop was below 900,000 tons, compared with an average of 1.5 million tons during the 1960's. Last year, U.S. exports to Algeria reached a record 769,600 tons—almost double the fiscal 1973 level. Algeria has become a major market for Durum. Total U.S. wheat exports to Algeria in fiscal 1975 could reach 1 million tons.

Shipments to Morocco also doubled in fiscal 1974 to 509,300 tons, and exports to Tunisia more than doubled to 124,812 tons from those of 1973.

Among U.S. competitors, France and Argentina are increasing grain sales to the North African market, with both expected to sell more there than in fiscal 1974. In addition, Australian exports of wheat to the Mideast in calendar 1974 are expected to double the 1973 level as a result of larger sales to Egypt, Iraq, and Saudi Arabia.

Wheat flour. Larger U.S. sales of wheat flour to the Arabian Peninsula are underway, following modest gains in fiscal 1974. Saudi Arabia is the largest U.S. wheat flour market here, although exports to such new markets as the United Arab Emirates, Bahrain, Qatar, and Oman also are rising.

Australia, however, is a stiff competitor for the United States in these markets. Egypt, Lebanon, and Libya also are markets for U.S. wheat flour, although most of their flour imports usually come from Europe.

Rice. U.S. rice exports to the Mideast are expected to reach 450,000 tons in fiscal 1975—up from 156,407 tons in fiscal 1974 and 125,825 in fiscal 1973.

Sales to Iran are up sharply to 230,000 tons—more than 10 times higher than the fiscal 1974 level. Rice exports to Saudi Arabia may rise another 20 percent, following a 60 percent leap to 91,000 tons in fiscal 1974. Sales to Kuwait so far in fiscal 1975 already have exceeded 22,000 tons—five times the usual level.

U.S. rice exports to Iraq will be far above the 9,000 tons delivered in fiscal 1974, which was only a small share of the country's total rice imports that year of 265,000 tons. Thailand was the major supplier, with 95,000 tons. Peru,

Brazil, Pakistan, and the PRC were other sources.

Other expanding U.S. rice markets are Oman, Qatar, and Bahrain—whose takings in fiscal 1974 were 10 times those of the previous year.

Egypt—the major rice exporter of the region—is retaining more of its rice to satisfy rising domestic demand. Thus a further decline is seen in its calendar 1974 exports. This development follows a drop to 298,000 tons in 1973 from the 546,000 tons shipped in 1972. In fact, small exports of packaged U.S. rice are now moving to Egypt. Smaller deliveries of Egyptian rice are expected to precipitate larger sales of U.S. rice to Syria.

Coarse grains. Demand for coarse grains also is on the rise because of greater food use and increased attention to developing livestock industries. U.S. exports of corn to Mideast markets almost doubled in fiscal 1974, reaching a record 798,000 tons.

Of this amount, 444,600 tons moved to Egypt, compared with 132,000 tons the previous year. Part of this volume is for cornmeal to be blended with wheat flour, producing a bread popular in the country's rural areas.

FURTHER gains are expected in U.S. corn sales to Egypt, since the country's corn production appears to have stabilized at about 2.5 million tons annually.

U.S. corn exports to Iran reached 98,000 tons in fiscal 1974—almost double the previous year's.

Demand for corn is also rising in Iraq, where commercial feedlots are being developed, and in Saudi Arabia and Kuwait. However, much of this increased supply is coming from Thailand.

Israel is a major market for U.S. grain sorghum, while Iran is a growing outlet for barley. Iraq and Siria occasionally import barley from European countries, particularly France, which exported more than 100,000 tons of barley to the Mideast in calendar 1973.

Reflecting the region's growing emphasis on livestock development, U.S. exports of animal feed more than doubled in fiscal 1974 to \$20 million. Saudi Arabia, Lebanon, Egypt, and Iran were the major markets. Spectacular gains in exports of animal feed to Iraq and the Arabian Peninsula are likely in the future, including special U.S. feeds and peanut meal from India.

Continued on page 24

Foreign Agriculture

The Recycling of Oil Money— Today's Big Economic Poser

By O. HALBERT GOOLSBY
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SKYROCKETING oil prices, bringing the most rapid redistribution of the world's wealth in recent history, have given the oil-exporting nations vast new economic power. But still largely unknown is how this power will be used, including the crucial question of how mounting foreign exchange reserves will be recycled back into economies of oil-importing nations. On this question hangs the future of the international monetary system and world trade, including trade in agricultural and agriculture-related products.

Although it has been only a year since the Arab oil embargo and the upward thrust in prices, the oil exporting nations already have made fantastic gains in their foreign exchange reserves.

Current estimates indicate that in 1974 the value of their exports—largely of oil—will exceed the value of their imports of goods and services by about \$55-\$65 billion. This surplus (called the current account surplus) will be used for long-term investments or to increase foreign exchange reserves. Already their reserves equal no less than \$35 billion, or roughly a fifth of world reserves. At the end of 1973, their reserves equaled about 8 percent of the world level.

The sudden change in the location of the world's wealth would not be too drastic if the \$55-\$65 billion were immediately lent back long-term to each oil-importing country on the basis of balance-of-payments needs. World agricultural and other trade could take place without any immediate concern over the recycling problem, although in the long run, oil importers would still have to make some unpleasant adjustments if the price of oil remained high.

But the money is not likely to be recycled by members of the Organization of Petroleum Exporting Countries¹

¹ Includes Abu Dhabi, Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and Venezuela.



(OPEC) according to short-term need, since OPEC members wish to invest in ways that will provide income after the oil is gone. In short, they want to make investments on a commercial basis, and investments made thusly do not necessarily fit the balance-of-payments deficits of various oil importers.

National economies today are highly interrelated through trade and capital flows, and the financial collapse of one can have a ripple effect around the world. Thus, it is not to OPEC's long-run economic benefit to cause serious instability of economic growth of the oil-importing world.

To date, little information is available on the long-term investment plans of the oil exporters. Some funds reportedly have already been used to purchase real estate. But eventually funds can be expected to move into other areas, including agriculture and agriculture-related enterprises. This especially might be true in agricultures of less affluent Arab allies such as Egypt and in some of the less-developed countries that will be increasingly dependent on the oil exporters for foreign assistance. Moreover, with food supply almost certain to be a worry for the foreseeable future—owing to the forces of population growth and rising incomes—some areas of agriculture could be viewed as attractive long-term investments.

Oil storage facilities in Venezuela, one of the countries whose oil exports are bringing in huge sums of foreign exchange.

Realizing the need for a healthy world economic environment, some oil-exporting nations also are making special loans to help nations hard hit by higher oil prices. Some examples:

- According to a joint communique released July 17, Iran will lend Pakistan \$580 million, some of which is to be used in jute cultivation and in an agro-industry complex.

- In late July, Iran announced a \$1.2 billion loan to the United Kingdom, to be made in three yearly installments. Early in August, Iran and France signed an agreement under which Iran will pay \$1 billion to the Bank of France (the central bank) as an advance payment on the future delivery of French goods.

- During August 11-18, finance ministers of Moslem nations met in Saudi Arabia to discuss final details of an Islamic Development Bank and signed a charter fixing their combined contribution at \$900 million.

- On August 22, the IMF announced completion of arrangements whereby seven oil-exporting nations would lend the IMF nearly \$3.4 billion for relending to nations with balance-of-payments problems resulting from oil prices.

Also in August, the International Bank for Reconstruction and Development (World Bank) announced that it had borrowed the equivalent of \$500 million from Fondo de Inversiones de Venezuela, a Venezuelan Government agency, bringing to \$1.15 billion its recent borrowings from oil-rich nations. Much of this money will go into agricultural loans, since this is now the area receiving World Bank emphasis.

IN ADDITION, Arab oil producers have agreed to finance a \$200 million revolving aid fund to be administered by the African Development Bank.

But despite its size, such official lending only fills in the cracks. By far the largest capital reflow so far has taken place through private market channels.

Probably the largest private channel has been the market for Eurodollars—the lending back and forth of money in dollar-denominated and some other foreign currency-accounts in banks outside the United States, largely in Europe.

Here, an oil exporter can deposit his surplus dollars or other hard currencies and have the banks do the lending. Thus, there is no contact between lender and borrower—contacts which can sometimes create political problems. In addition, the banks can often determine the credit-worthiness of the borrowers better than can the oil exporters. The borrower may be a government (national or local), another bank, or a private corporation.

Although there is insufficient data to measure the total inflow of oil money into this market, current information shows there has been a considerable increase in activity, a large part of which probably results from oil money. According to a World Bank analysis, publicized loans for medium- and long-term periods in the European currency market totaled \$19.7 billion in the first 6 months of 1974, or not much under the \$22 billion for all of 1973. The United Kingdom, France, and Italy have been especially heavy borrowers, as have some less developed countries. In the first half of 1974, publicized borrowings by the latter group totaled \$6 billion, compared with \$9.1 billion in all of 1973.

Unfortunately, two problems have developed.

First, the volume of lending has grown so large that the credit-worthiness of a number of borrowers is now of rising concern.

The second problem is one of timing. So rapid and so large has been their accumulation of wealth that OPEC members have not had sufficient time to decide how to lend and invest their surplus dollars on a long-term basis. Consequently, they are keeping a large share of their surplus earnings in short-term, sometimes overnight, debt instruments. However, most borrowing needs are long-term.

Nations require considerable time to recapture money invested in energy-saving practices such as expansion of mass transportation systems. They also need time to develop alternative sources of energy. For example, the United Kingdom can look forward to self-sufficiency in oil with the completion of oil wells and other facilities in the North Sea, but this will not happen before 1980.

Cognizant of these problems, world financial leaders are meeting in various forums to discuss alternative solutions. At its annual meeting September 30-October 3, the IMF announced its proposal to launch a \$5-\$10 billion lending operation next year to supplement the \$3.4 billion program already instituted. Also there was a \$2-billion loan by West Germany to Italy. Because Italy had little foreign exchange, but a relatively large gold supply, its gold was used as collateral.

As time passes, experience will be gained by the OPEC nations in long-term lending, and financial adjustment problems should decline. Furthermore, and perhaps more important, the OPEC nations will probably accelerate their equity purchases as they gain financial experience. Already there have been unofficial reports of purchases of expensive real estate in the United States, the United Kingdom, and elsewhere.

AS THESE LOANS and investments grow, the OPEC nations will have all the more reason to benefit from economic growth in oil-importing nations—both developed and less developed.

Some of these oil revenues will be used to import both consumer goods and goods used in connection with internal development projects. Such imports lessen the amount of foreign exchange that must be recycled through the international capital markets and will no doubt become increasingly more important as the countries devise development plans to redistribute their wealth internally.

Included in these larger imports will be expanded demand—which already has begun to appear—for agricultural products from the United States.

In a number of OPEC nations, especially the Arab States around the Persian Gulf, the import rise will be largely in more expensive high-quality food items. Small populations in these countries preclude any great increase in buying of basic commodities such as grains and oilseeds.

But in other countries, populations are relatively large, allowing more room for expansion. Iran has 32 million people; Indonesia, 130 million; Nigeria, 46 million; and Venezuela, 12 million. Here, great potential lies in sales of basic commodities, not only to meet direct consumption needs but also to meet needs of emerging livestock industries—among the first agricultural enterprises to be stressed as countries move into the rapid development phase.

Major Markets Import Less Oilseed and Meal

According to the most recent import data available, total imports of oilseeds and meals into nine major countries (Japan, West Germany, France, Netherlands, Spain, Italy, the United Kingdom, Denmark, and Sweden) since January amounted to 9 million metric tons, soybean meal equivalent—725,000 tons below imports in the same months of 1973. Most of the decline was concentrated in West Germany, Japan, and the United Kingdom. The 7 percent drop is somewhat less than the 11 percent decline of a month earlier.

Imports of soybean and meals into the nine countries for the same period in 1974 totaled 7.3 million tons, meal basis, 306,000 tons above those for the same months in 1973. Strongest import gains were in shipments to Spain and the Netherlands. The 4.4 percent increase in imports of soybeans and meal shows some acceleration in movement from the 1 percent decline indicated a month ago.

Although poor livestock profitability is adversely affecting prospective livestock and poultry output, meal prices have been relatively low, compared with prices of feedgrains. This reduced price ratio now is beginning to stimulate high protein feeding rates.

U.S. Cattle Exports To Hungary And South Africa Near 7,000 Head In 1974

NEARLY 7,000 head of U.S. cattle were shipped to the Republic of South Africa and Hungary in the first half of 1974, with another 953 head going to Hungary in September. Shipments were made by air and sea and arrived in both countries in excellent condition. Exports to Hungary in the January-June 1974 period were more than 2.5 times as large as those of 1973, while the ones to South Africa were 75 percent larger.

Between January and May 1974, 700 head—mostly Brahman and Santa Gertrudis—had been received at the Jan Smuts airport quarantine station, while 190 and 90 head, respectively, had been received at the Cape Town and Durban quarantine stations. An additional 470 head arrived in South Africa in late May or early June in two shipments, bringing the total for the first 6 months to 1,450 head.

At the same time, there were over 200 head still in the United States awaiting later shipment to the Republic. Although estimates vary, it is expected as many as over 1,000 more head of U.S. cattle may be shipped to South Africa before yearend.

The International Marketing Service of Holstein-Friesian Services, Inc., a subsidiary of Holstein-Friesian Association of America, made the sale to Hungary—6,300 animals, including 4,300 Holstein heifers. The animals were delivered by plane to Budapest and by ship through the seaport of Rijeka, Yugoslavia.

The first paneloads began to depart Harrisburg, Pa., International Airport in early May and shipments were to continue through September. The first of two shiploads with 1,200 head on board arrived in Rijeka on May 15. The second followed shortly thereafter.

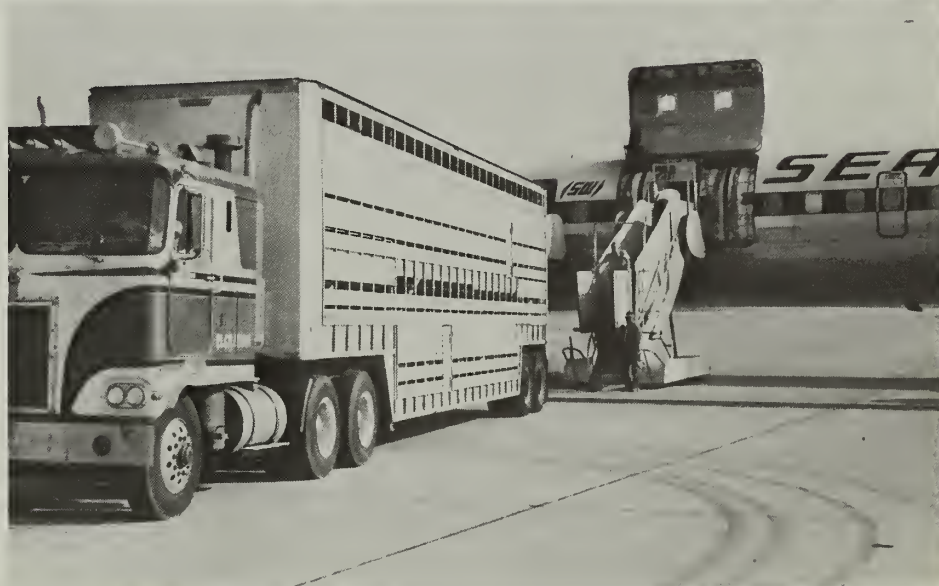
Six paneloads of Holstein-Friesian open heifers were shipped to Hungary between September 1 and 15—663 grade and 290 registered animals. This completed the 6,300-head shipment to Hungary.

In 1973, 10,260 animals were exported to all countries through the Association's marketing service. Sales in 1974 have surpassed those of last year, with deliveries of cattle to countries other than Hungary during the first 6 months of the current year expected to be nearly double the 1973 total.

Veterinary inspection certificates in 1973 placed the number of beef breeding cattle exported from the United States at 26,904 head, an increase of 86 percent over the 14,431 head exported in 1972 and 41 percent over the 1971 total of 19,056. Hungary took 526 head of U.S. beef breeding cattle in 1973, while the Republic of South Africa took 818 head.

Also in 1973, exports of dairy breeding cattle were the highest on record, totaling 33,987 head. This represents a gain of 15,311 head over the 1972 total of 18,676 head and 19,464 head above the 1971 exports of 14,523 head. Exports of U.S. dairy cattle to Hungary last year were 1,473.

Below, from top down: U.S. Holstein-Friesian cattle are unloaded from aircraft at Budapest for truck transport to Hungarian State farm; truck-trailer at Harrisburg, Pa., backs load of cattle to aircraft ramp; arrival at Budapest.



Zaire's Palm Oil Output, Exports Continue Downtrend in 1974

By WALTER A. STERN
U.S. Agricultural Attaché
Kinshasa

ZAIRE'S PALM OIL production, which has fluctuated widely for nearly a decade and a half, fell in 1973, and is expected to drop even lower in 1974. Output of several other less important vegetable oils such as peanut and cottonseed oils will probably rise slightly this year.

Output of cottonseed oil cake will increase in 1974 while that of palm kernel cake will fall off. Exports of most Zairian vegetable oils will also decline; those of palm and palm kernel oil by about 8 and 9 percent, respectively.

Zaire's palm and palm kernel oil production started its downtrend in the early and mid-1960's, but had recovered somewhat by about 1968. After remaining nearly stable for 2 or 3 years, output again began to slide in 1970 and has been dropping since then.

The loss of revenue from reduced palm oil exports seriously affects Zaire's economy since palm oil is its second most important agricultural export after coffee, providing about 7 percent of the value of all exports. In addition, it continues to be the chief vegetable oil produced in the country and is the only major source of oil available for human consumption.

Many of the current problems that beset the Zairian palm oil industry had their genesis in the relatively distant past. For example, after gaining its independence from Belgium in the mid-1960's, the Belgian Congo—later called Congo (Kinshasa), Democratic Republic of the Congo, and then Zaire—went through a period of confusion that hampered production of many of the country's cash and export crops, including palm oil and products. Because of the uncertainty, some foreign estate managers left the country and relatively untrained personnel took over operation of the estates.

While the passage of time has brought a partial solution to this particular problem, the country may be facing another disturbing period as the Government

pushes its Zairianization program under which foreign-owned properties are being expropriated and put under Zairian management. A new shortage of managers may develop under the program and existing production problems could be further exacerbated.

Transportation breakdowns have also been a major problem. At these times it cost as much to transport palm oil from producer to Zairian ports as it did to ship it from African ports to Europe.

The low domestic selling price for palm oil—set by the Government at about US\$125 per ton—compared with a world market price ranging from US\$400-\$600, is also causing some problems. Although Government regulations require each producer to sell 50 percent of his palm oil production on the domestic market, high prices have encouraged palm oil producers to withhold their product from sale in anticipation of higher prices. Some producers are also probably making illegal export shipments through Angola to realize the higher profit available on the world market.

Zaire's palm oil output in 1974 is estimated at 170,000 tons from 762,000 tons of palm fruit. Last year, oil output was 185,000 tons. Normally, there is an additional 20,000-30,000 tons of palm oil that is not processed or marketed commercially. (All tons are metric.)

IT IS POSSIBLE the 1974 palm oil estimate could be off the mark, however, since Zairianization of the large palm oil plantations could cause output to drop.

Unilever plantations, the largest in Zaire, have been exempted from the Government order and are expected to produce about 62,000 tons of palm oil in 1974, the same output level as last year's. Four other large plantations, taken over under Zairianization, have together produced an amount equal to their last year's production.

However, the new plantation owners

may cause production to tumble if they discontinue established management practices or reduce workers' wages. It is already difficult to hire plantation laborers as many of them have abandoned the estates and are trying to earn a living in nearby urban areas. Reducing worker's salaries would only complicate the situation.

Zairianization, is expected to have no adverse effect on the 50,000-ton output from small groves, most of which are already owned by Zairians.

Production of palm kernel oil in 1974 is expected to fall to 37,700 tons from 80,000 tons of palm kernels, compared with 41,000 tons of oil in 1973 from 86,900 tons of kernels.

Peanuts are the only major oilseed that have shown a general uptrend in recent years. Estimated at 220,000 tons for 1974, compared with 200,000 tons during the previous year, peanut production was 179,960 tons in 1970. Peanut oil output is estimated at 1,250 tons for this year, a slight increase over 1973's. Most of the peanuts produced are consumed as nuts.

LITTLE DATA are available on sesame seed production, but it is estimated that 5,000 tons will be produced in 1974, unchanged from the level of the past 2 or 3 years.

The Government has expressed great interest in soybean production in that same period. Several factories in Kinshasa and Lubumbashi are testing methods to manufacture biscuits fortified with soybean flour. These biscuits may be used by the Government in a school lunch program and additional flour may be sold commercially to supplement the Zairian diet.

Palm oil exports were expected to be only 65,000 tons in 1974, compared with 70,000 tons during the previous year. The Government is being pressed by producers to remove the domestic ceiling price, or at least set it at a more realistic level of around US\$200-\$240 per ton. If this is done, production might rise, which, in time, could provide sufficient stocks to reverse the declining trend of exports.

Palm kernel oil exports for 1974 are estimated at 29,000 tons, a reduction of 10 percent from the 32,000 tons produced in 1973. Palm kernel cake exports this year are estimated at 31,200 tons, compared with 32,500 tons in the previous year.

THE SIXTH WAVE

The World Food Question and American Agriculture

World food trends since World War II have been closely linked with programs and policies of the United States. The following article relates U.S. policies to the current wave of food-population pessimism, and sketches a background for the U.S. role in the World Food Conference.

Hunger is not new. Nor is man's concern about it. In the 1970's, however, a combination of events has pushed that subject high up on the agenda of the international community, resulting in the joining of 140 nations in a World Food Conference next month in Rome. That Conference, sponsored by the United Nations, will range widely over the need to increase production, improve stock policies, and enhance the exchange of information.

Over the past 200 years, Western man has experienced a recurring fear of world starvation. In 1949, an article in *Scientific Monthly* identified "three waves" of food-population pessimism up to that time.¹ One was stimulated by Thomas Malthus in 1789, another by the writings of Sir William Crookes and others in the late 1890's. A third followed the devastation of World War I.

The *Scientific Monthly* article was published during a "fourth wave of pessimism" following World War II and stemming from postwar shortages, increased births, new life-saving programs, and the worries of conservationists. Once again, however, world interest flagged during a subsequent decade and a half of general improvements in world crops.

Then beginning in 1965, southern Asia experienced 2 successive years of monsoon failure, requiring massive aid shipments and triggering new fears of pending world famine. This was followed just as quickly by a wave of optimism brought on by good weather and improved wheat and rice yields growing out of the Green Revolution.

By the end of the 1960's, however, the Green Revolution had begun to level off. Expectations were rising in the less developed world.² Booming economies and rising incomes in more developed countries were bringing a demand for more and better food. Populations continued to expand, along with concern about the carrying capacity of planet earth. The stage was set for a sixth wave of world pessimism beginning in 1972.

There is a certain irony in the fact that this new wave of crisis thinking

should come at a time when the world food situation had actually been improving for over two decades, even during the scare period of 1965-67. The 1972 decline in world food production was the first in more than 20 years. At the end of two decades, world production had increased by more than half, and production per capita had gone up by 22 percent.

Nevertheless, in 1972 the world situation definitely took a turn for the worse, despite continued record crops in the United States. Poor growing weather affected crops in the Soviet Union, Africa, Australia, the People's Republic of China, certain other Asian countries, and parts of Latin America. The protein supply was further affected by fishing failures off the coast of Peru. Production and reserve stocks in the United States were sufficient to offset those production deficits, but not large enough to meet increased demand without sharply reducing stocks.

In 1973, world food production seemed once again to be on an upward curve, with world output at an all-time high, based partly on record grain and soybean crops in the United States. In 1974, however, the United States experienced its worst growing season in a generation. Late planting, the worst summer drought since 1936, and early frosts and freezing in the Midwest all brought trouble for U.S. farmers this year. Other regions adding to the gloom are Canada and southern Asia.

The resulting disappointment is in part a measure of the growth in demand and in expectations. In historical terms, the estimated U.S. crops for 1974 are large. The wheat crop is a record. The soybean forecast is for the third largest production in history. Although the corn crop is disappointing, it will be equivalent to crops harvested during the mid-1960's. Crops are probably better than average in the Soviet Union, reasonably good in Europe, Latin America, and the People's Republic of China, and definitely improved in most of Africa.

But on the whole, world food production will not match last year's record. World grain stocks, pushed downward by 1972 crop failures, are shrinking again this year. USDA reckons 1974 world stocks of wheat and feedgrains at 108 million metric tons compared with 150 million tons 2 years ago. All in all, early hopes of a large expansion in world output and a rebuilding of stocks have turned to disappointment.

¹ "Population and Food Supply: The Current Scare." *Scientific Monthly* 68 (January 1949), pp. 17-26. By M. K. Bennett, Executive Director, Food Research Institute, Stanford University. Chapter I of *World Food Production, Demand, and Trade*, Iowa State University Press, 1973, by Blakeslee, Heady, and Framingham, comments further on "Historical Perceptions of the World Food Problem."

Certain regions, moreover, are experiencing food shortages that are actually acute. The situation in the African Sahel results from a 5-year drought. Emergency situations in India and Bangladesh are of more recent origin, stemming from the lateness and irregularity of monsoon rains this year. These areas are receiving outside aid, including farm commodities from the United States.

U.S. policies and potentials

While the United States has no shortage, world food questions do bear heavily on this country, due to its dominant role in world production and trade. In recent years, American farmers have produced around a fourth of the world's combined wheat and corn crops and three-fourths of the world's soybeans. The United States has been the largest exporter of farm products and by far the largest source of food aid. In the years 1965 through 1972, the United States provided the majority of all the food aid that moved in the world.

The productivity of the United States is such that in most years a major problem has been to adjust production downward in line with utilization. Trends in U.S. agriculture must therefore be viewed, not only in terms of expanded output but also in terms of the restraints applied by Government programs over the years.

In 1971, when the current uptrend in crop acreage began, planted acres had stood near 300 million for over a decade—down 50 million from the early 1950's (1971-1973 compared with 1951-1953). Yet production was substantially higher. In 20 years, farmers increased wheat production by a third on a third fewer acres. They boosted corn production by 80 percent on 12 percent fewer acres. And soybean production rose almost fivefold, as acreage expanded under the stimulus of growing demand and Government restrictions that limited area sown to corn and cotton.

In the 1950's, price supports were maintained at generally high levels, together with a long-term land retirement option—the Soil Bank. Farmers continued to produce more grains and other products than markets would absorb; large quantities flowed into

Government hands under price support. By the beginning of the 1960's, Government loans and inventories included 1.5 billion bushels of wheat and 2 billion bushels of corn. The Commodity Credit Corporation had over \$8 billion invested in commodity operations.

In the early 1960's, the Government instituted programs stressing payments to farmers for the diversion of acres out of surplus-building crops. By the middle of the decade CCC loans and inventories of wheat and corn had been reduced by half. Government investment remained high, however—above \$7 billion. And in the late 1960's, there was once again a rise in wheat and feedgrain stocks, as farmers and government overreacted to the world food scare of 1965-1967.

Beginning in 1965, however, American farm policy had begun to move toward greater dependence on markets including commercial exports. The Agricultural Act of 1965 moved away from high price supports, making more use of direct payments to farmers. Price support loan levels were keyed to world prices, and exports generally increased.

The Agricultural Act of 1970 went a good deal beyond. It moved still further away from high price supports, and gave farmers more discretion in selecting cropping patterns for wheat, feedgrains, and upland cotton. The Agricultural and Consumer Protection Act of 1973 continued the trend, with target prices assuming the income protection role. It reduced the importance of land diversion in farm program administration.

The 1970 and 1973 Acts eliminated crop-by-crop production controls on wheat, feedgrains, and cotton. Acreage adjustment was to be accomplished through an overall acreage "set-aside" agreed to by farmers as their total contribution to adjustment. The set-aside has now been reduced to zero in line with a full-production policy for American agriculture. For 1973, the set-aside was sharply reduced, and for 1974 and 1975 there is no set-aside on either grains or cotton.

Even with an unfavorable planting season this year, farmers put in an acreage some 35 million above 2 years ago. With the price incentives now present in the market, it is expected that additional land will be returned to production in 1975.

In the longer term, U.S. agriculture has the potential for substantial produc-

tion increases, based on gains in both acres planted and in average yields. The Economic Research Service has projected that, with good prices and normal conditions, the potential exists to achieve a 50 percent increase in feedgrain production by 1985, a one-third increase in soybeans, a doubling of rice output, and a one-fifth gain in wheat output. These estimates are based on economic potential, and are short of the maximum that could be achieved through an all-out expansion effort.

A generation of food aid

It is this enormous productive ability, unmeasured and seldom tested, that has made American agriculture the focus of world attention in time of food emergency. Even before American entry in World War II, U.S. farm commodities were being put to work in the lend-lease program. At war's end, the strength of American agriculture was applied to reconstruction.

First through a series of nine emergency measures, in conjunction with international efforts, the Department of Agriculture mobilized U.S. surplus commodities, especially foodgrains, to assist war-ravaged nations. Then in 1948 the program was expanded into the Marshall Plan for European recovery.

In 1949 the first legislation was enacted to permit the Department of Agriculture to donate surplus commodities to needy people overseas. In 1954 Congress passed the Agricultural Trade Development and Assistance Act (P.L. 480), and commodities began to move overseas under the concessional programs known as Food for Peace. In addition to donations for relief purposes, the Act authorized long-term credit arrangements for sale of surplus commodities, and a barter program to exchange surplus commodities for import items essential to U.S. interests.

By the early 1960's, with total U.S. agricultural exports hovering around \$5 billion, Government-financed shipments under P.L. 480 were running around one-fourth of the total. In 1964 P.L. 480 reached its alltime budget high of \$2.4 billion. In the following 3 years, the program ranged between \$1.3 billion and \$1.6 billion with assistance to India becoming a major component. By this time, however, there were major changes in P.L. 480 and other assistance programs.

In the early 1960's, the combination

of substantial growth in the world economy and the emergence of a "third world" including former European colonies began to alter international assistance efforts. FAO inaugurated a World Food Program in 1963, designed to internationalize food assistance. The United States took an early lead in providing commodities and funding for its operations, and has provided well over half the WFP budget during its 11-year history. Currently the U.S. pledge carries about 40 percent of the program's \$340 million budget.

Meanwhile, requirements were tightened for countries seeking U.S. commodities under the long-term credit (Title I) provisions of P.L. 480. Recognizing that U.S. stock levels were being reduced, Congress authorized the Secretary of Agriculture to designate commodities to be available under P.L. 480. Credit terms allowing repayment in local currencies were ordered phased

out in favor of hard currency. dollar-repayment or convertible local currency program. Finally, countries receiving aid were required to commit themselves to self-help measures designed to encourage agricultural development.

In the past several years, the annual P.L. 480 budget has been right around \$1 billion. The lower program level is the result of several factors. The Green Revolution reduced the demand for food aid from some nations. Some other producers accumulated surpluses and developed concessional programs similar to our own. Japan began aid programs for Korea, and Canada instituted concessional sales to Latin America.

Congressional legislation was passed to prevent P.L. 480 concessional sales to Communist and some Arab nations. This meant that nations such as Egypt, Poland, and Yugoslavia, participants in earlier years, were no longer eligible.

Moreover, some countries which had been on P.L. 480 rolls were able to move into the commercial market. Japan, which had been the largest recipient of P.L. 480 aid in 1955, was the largest commercial customer for U.S. agricultural products by 1971 and has continued in that position.

In fiscal 1975, the P.L. 480 program will likely operate at slightly higher spending levels than the preceding year, although price increases continue to have an effect on commodity volumes shipped. In general, wheat and rice shipments should be increased this year, while vegetable oil and coarse grain volumes will be down.

Title I shipments this year will continue to Bangladesh, Viet Nam, Cambodia, and other recent recipients, Egypt is again receiving P.L. 480 shipments, and some other Middle Eastern nations may return to program activity.

Title II programs in child and mother nutrition, operated mostly through U.S. voluntary agencies, will continue. International organizations will continue to be active in distributing U.S. commodities. As before, a small reserve will be held to meet contingency food emergencies occasioned by earthquakes, floods, or other disasters.

Public Law 480: A Current View

In July 1954, the U.S. Congress enacted the Agricultural Trade and Development Assistance Act, which has come to be known as Public Law 480. Today, 20 years and \$25 billion later, P.L. 480 has changed in light of the world commodity situation. Emphasis has switched from agricultural market and economic development to supporting humanitarian and foreign policy objectives. But P.L. 480 still moves far more food than all other foreign aid programs in the world combined.

For the past 6 years, annual P.L. 480 expenditures for commodity shipments have been at about the \$1-billion level. Recently, increases in commodity prices have resulted in lower volumes being shipped.

In fiscal 1974 (July 1, 1973-June 30, 1974), P.L. 480 commodity expenditures totaled \$850 million. Major commodities shipped were rice, wheat and wheat flour, feedgrains, and vegetable oil. The leading recipients under the concessional sales program (Title I) were South Vietnam, Cambodia, and Pakistan. India was the largest recipient under the donations program (Title II); the six Sahel countries of West Africa were also major recipients.

For fiscal 1975, which began last July 1, the U.S. Budget presentation projects expenditures for P.L. 480 commodities at \$891 million. President Ford, speaking before the UN General Assembly on September 18, stated that the United States would increase food aid spending in fiscal 1975. The volume of wheat and rice shipments is expected to increase over last year's level, while feedgrain and vegetable oil shipments will decline due to limited commodity availabilities.

Title I sales agreements make agricultural products available to foreign governments, which then sell them and use the proceeds to fund development projects, including agricultural self-help programs. Terms of these sales agreements call for repayment in dollars or convertible local currency over periods of up to 40 years.

The donations program under Title II provides both emergency assistance and support for ongoing humanitarian and development activities, especially those stressing nutritional impact. These donations are channeled through U.S. voluntary agencies, bilateral programs, and international organizations such as the World Food Program.

The need to produce more

While food aid will continue to be important in meeting emergency needs, no one believes that aid is the total and final answer to food deficits in the lesser developed countries. Total trade and aid now account for only one-tenth of the food produced in the world. With the other 90 percent being consumed in the countries where produced, this suggests that the greatest opportunity lies in expanding indigenous production in areas where this is possible and economical.

Secretary of Agriculture Earl L. Butz has pointed to inadequate research in developing countries, insufficient farmer incentives in many nations, a shortage of fertilizers in relation to demand, a scarcity and high cost of fuel, and inadequate storage and distribution methods in much of the world. If the world is to feed the additional people it expects by the end of the century, he says, "we must address ourselves to doing something about all these shortfalls. This will require changes in edu-

cation, changes in economic policies, and changes in research. It will require better dissemination of knowledge and farming techniques. It will require more capital expenditures in food production, more available credit to farmers in lesser developed countries, and most of all, better incentives for the world's farmers."

Dr. Don Paarlberg, USDA Director of Economics, told a Congressional Committee in July that the worldwide potential for growing more food is impressive. "The Green Revolution has demonstrated the vast improvements possible in yields per acre. Furthermore, the world is not yet farming even half the cropland that could be made available."

The question of population growth is, of course, a companion issue—one addressed by over a hundred nations at a World Population Conference 2 months ago. For that Conference, the UN's population division drew up a new series of estimates for world population growth in this century. The division's median estimate calls for world population to grow from 3.6 billion in 1974 to 6.5 billion in the year 2000. This is less fearsome than some earlier estimates; nevertheless, it would mean a growth of 80 percent in 26 years.

As the United States turns toward the World Food Conference, there is much uncertainty about the current food outlook in the world. Although 1974 is a disappointing year, it is probably not disastrous. In the longer term, the Department of Agriculture envisions adequate food to supply the world's population through this century. Beyond 2000, questions of population, energy, and environment cloud the picture. These are issues that will need serious attention long before the turn of the century, and it is hoped that the round of conferences sponsored by the UN this year will further cooperation among nations that are increasingly interdependent.

A Law of the Seas Conference was held last June 20-August 29 in Caracas. The World Population Conference was held August 19-30 in Bucharest. International discussions on petroleum supplies and costs have taken place in several international conferences, including the annual International Monetary Fund and World Bank conference. Finally, the World Food Conference will be held in Rome November 5-16.

The World Food Conference

An international conference on the world food situation was proposed by Secretary of State Henry A. Kissinger in his address to the United Nations General Assembly in September 1973. That proposal followed a similar suggestion made a few weeks earlier at the Conference of Non-aligned Nations meeting in Algiers.

At about the same time, FAO Director-General Addeke H. Boerma at the FAO Conference in Rome in November 1973 outlined a proposal for "International Undertaking on World Food Security." As approved by FAO in July 1974, the undertaking sets forth six principal elements:

- National stock policies to maintain a minimum safe level of basic food stocks for the world as a whole.

- Guidelines for national stock building, including not only stocks for a country's own use, but also government and privately-held stocks to cover commercial and concessional exports.

- Continuing consultation among grain producers and users.

- An improved and expanded flow of information on national stock levels and policies, crop conditions and prospects, and projected export and import levels.

- International assistance for developing countries, centered on increasing production and improved stock management.

- Safeguards to prevent a world food security system from interrupting normal trade patterns.

Meanwhile, two main objectives—including but not limited to FAO's proposed international undertaking—were established for the World Food Conference at three Preparatory Committee meetings. These objectives are to assess the world food situation and to consider areas of possible national and international action to strengthen world food security.

At the World Food Conference, the U.S. delegation will be headed by Secretary of Agriculture Butz. Secretary of State Kissinger will attend the Conference on opening day and will give a speech at the special request of the WFC Secretariat in view of his role in calling the Conference.

Each of the 140 participating nations is eligible for six seats at the Plenary session and three at each committee meeting. In addition, 600 nongovern-

mental groups, mostly international, have been invited to the Conference, and these representatives will be eligible for the limited seating available to observers. They will have the opportunity to make short statements during committee meetings. Closed-circuit television will extend the Conference sessions to other locations.

While specifics of the U.S. position will await presentation to the World Food Conference, the general U.S. attitude on each of the five proposed programs of action is clear.

- The United States wants to help increase production in developing nations, and is asking Congressional approval for an expanded budget for technical assistance programs.

- The United States supports an improved information system, to provide both exporting and importing nations with data on production and demand. Crop prospects, demand estimates, import needs, and stock information are all important to improved food security in the world.

- The United States also has endorsed creation of an internationally coordinated, nationally held system of food reserves, to be built up as soon as supply conditions permit. The United States would expect each participating country to develop its own national stock policies within the international framework.

- The United States is committed to continued aid programs to meet emergencies and assist needy nations. It favors a broadening of this responsibility to include greater participation by other developed nations.

- The United States continues to maintain that trade liberalization is beneficial to both exporting and importing nations. However, the United States believes that the multilateral negotiations under the General Agreement on Tariffs and Trade will be the more important forum for discussing trade issues.

The United States believes that the World Food Conference can and should be the beginning of an enhanced recognition of the world's interdependence. Such an understanding would set the stage for the long-term cooperation necessary to match world resources to world needs. It would result in public and policy actions being keyed less to cyclical fears and more to the sustained effort that is essential to food-population solutions.

International Organizations Step Up Farm Aid to Developing Countries

By MARTIN KRIESBERG
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The need for more international aid to meet the pressing food problems of developing countries is slated to be high on the agenda of the World Food Conference, convening in Rome, November 5-16. Yet even before the emphasis signaled by the conference, international organizations had already stepped up funding for agricultural development. The dramatic increase in multilateral aid for agriculture that occurred in 1973 was essentially a continuance of trends evident for more than a decade.

Three international organizations provide the largest sums to agricultural development: The World Bank (IBRD), the Inter-American Development Bank (IDB), and the United Nations Development Program (UNDP) — which channels most of its agricultural development funds through the UN's Food and Agriculture Organization (FAO).

In 1973, these three international organizations allocated over \$1.2 billion for agricultural development projects—compared with an average annual expenditure of only about \$175 million in the years 1961 to 1964, an average of some \$280 million in 1965 to 1968, and about \$660 million annually during the years 1969 to 1972. Projected lending by these groups in 1974 indicates that the prior emphasis on development assistance to food and agriculture will continue.

The Asian Development Bank, the African Development Bank, and several other regional banks have also come into the picture in recent years, actively financing agricultural development projects in their respective areas. Most of these newer organizations have been in operation too few years, however, to demonstrate trends in their assistance efforts.

Although the dollar amount of development assistance going through international organizations has reached higher levels each year, currency inflation has taken a substantial bite out of actual purchasing power of the loans.

In recent years, the United States has channeled an increasingly larger proportion of its total overseas development assistance through these multilateral organizations, while proportionately, a lesser share has gone to direct, bilateral activities. In part, this reflects a decline in U.S. support of bilateral economic aid programs from the higher levels of the 1960's to current program levels. It also mirrors an increase in U.S. contributions made through the

multilateral aid organizations.

In fiscal 1974, for example, U.S. contributions to these organizations amounted to more than 30 percent of total U.S. appropriations for foreign economic and humanitarian assistance, compared with only about 10 percent in 1962 and 1963 and about 20 percent in 1968 and 1969.

By working through international organizations, the United States has sought to reduce the political ramifications sometimes associated with foreign assistance, and, at the same time, motivate other donor countries to take on a larger share of the burden of development assistance.

While U.S. dollar contributions have increased over the past decade, the U.S. share of total official development assistance has declined; so that U.S. contributions to UNDP are now about 30 percent of the total, down from approximately 40 percent in previous years. U.S. contributions to FAO for the current biennium will be 25 percent, down from over 30 percent in the preceding decade.

The kinds of assistance provided by the international organizations for agricultural development have changed in emphasis over the past 10-12 years. During much of this period, increasing crop production was the principal objective, and assistance was directed toward irrigation and the purchase of production inputs such as tubewells, pumps, and machinery for cultivating the land and harvesting the crops.

More recently, IBRD and IDB have broadened their project lending to include emphasis on livestock and, together with FAO, on forestry development. Further diversification is now apparent in the agricultural sector projects supported by the international organizations; FAO, IBRD, and IDB have now begun to support agricultural research through their participation in the Consultative Group for International Agricultural Research Institutions.

Perhaps of greatest significance is the new emphasis on projects aimed at overall rural development, improving the livelihood of smaller farmers, and the distribution of incomes in rural areas by major international organizations providing assistance for agricultural development.

Speaking to the Board of Governors in September 1972, Robert S. McNamara, President of the World Bank, called attention to the "poverty of the

citizenry in the lowest income countries—those with 1.1 billion population and per capita GNP of less than \$200.” Particularly critical, he said, are the needs of the 40 percent of the population within these countries for whom current efforts at development are thus far largely unavailing.

McNamara also pointed out that some “200 million in India alone have incomes of less than \$40 a year, and if India were to depend solely on the overall growth of national income it would take more than 30 years before these millions could afford an adequate diet.”

In their projects for agricultural and rural development, the international organizations are now increasing the share of their resources that provide assistance for the poorest countries, and, within these countries, for the bypassed subsistence farmers and rural workers.

These poor among poor—most of whom live in rural areas—are not now commercial customers for imported commodities. But, if the incomes of these millions were improved, spurring their demand for more and better food, demand for imported commodities could increase substantially. Almost certainly, the increase in commercial purchases of many farm products that has thus far occurred in developing countries largely reflects demand among the people in these countries who have already attained higher incomes.

While the World Food Conference is convened at a time of tight supplies for most major food crops, its agenda and

the preparatory discussions leading up to the formal meetings clearly indicate a concern with more than production problems. Underlying the discussions and the papers prepared by the Secretariat of the WFC is the view that the problem of food scarcities in developing countries is rooted in the general problem of poverty and the lag in development in these countries.

Hence, it may be anticipated that while the WFC and the international organizations that will be charged with carrying out agreed-upon resolutions will emphasize increased food production in developing countries, they are likely to continue their efforts to raise rural incomes and accelerate rural development generally.

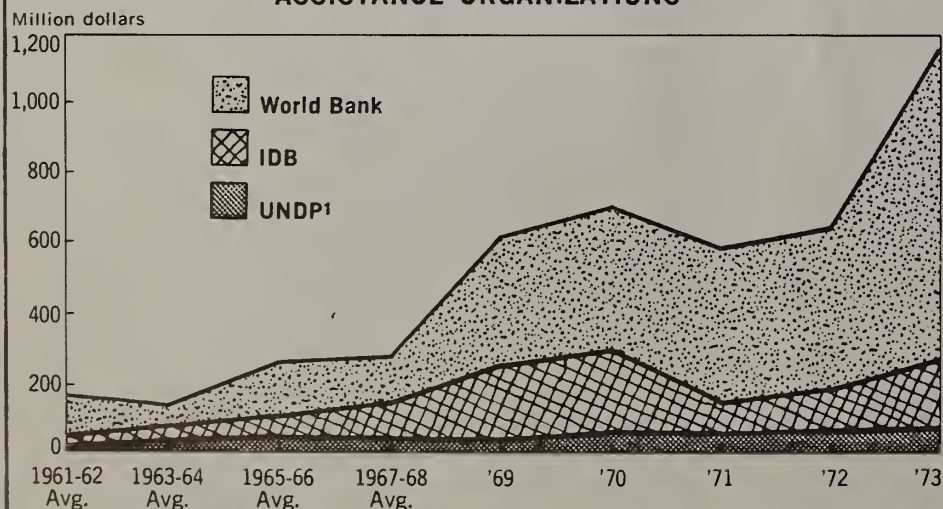
To the extent that these efforts lead to increased real incomes as well as gains in production among the world's small and subsistence farmers, demand for imports is likely to increase rather than decrease. This segment of the world's population, which has as yet participated little, as producers or consumers, will demand many goods and services, but most of all fuller and more varied diets.

Studies conducted by USDA have shown that domestic production in low-income countries does not fully satisfy this demand, and hence purchases of agricultural commodities from abroad are sought—mainly from the United States. And the relationship that has been found in the past—between higher incomes in developing countries and higher imports of U.S. farm commodities—is likely to continue.

Revitalizing the Green Revolution A Needed Step Toward World Food Security

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FUNDING OF AGRICULTURAL PROJECTS BY MULTILATERAL ASSISTANCE ORGANIZATIONS



¹ UNDP funds allocated to FAO.

Source: Annual reports of IBRD, IDB and FAO.

The most critical food problems now confronting the world are, without question, found in the developing countries. Will these countries be able to feed their growing populations from their own agricultural production, or will their food situations—in terms of per capita availabilities—deteriorate? Or will they become increasingly dependent on imported food, which they will be able to finance only by sacrificing their overall economic growth?

These are real and important problems. According to recent comprehensive studies, the developing countries as a group are likely to need increasingly large grain imports during the next decade unless strenuous efforts are made to increase their production of food. Many of these countries are unlikely to be able to pay for rapidly swelling food imports, and the prospects of expanded, long-term food aid are unattractive to both recipient and donor countries.

It is, however, technically and economically feasible to reduce the burden of these imports. The reasonable alternative to overdependence on food imports is to enhance the agricultural productivity of the developing countries. Conversely, agricultural self-sufficiency is not necessarily a desirable goal for all these nations. Many are now, or will increasingly be, able to buy a major part of their food more cheaply than producing it.

Most developing countries have the natural resources to support great increases in agricultural output. Production growth rates could rise substantially by the late 1980's, provided adequate research is undertaken to develop more productive crops and livestock suited to their unique conditions. The investments and policies of both developing and developed countries must also be directed toward providing the necessary infrastructure, inputs, and incentives for farmers in the developing world.

Many difficult problems remain if further deterioration of the food situation is to be prevented. At present, food supplies of many of the developing countries are precariously dependent on

the weather and on food aid. Hundreds of millions are poorly nourished; many are seriously threatened by continuing food shortages.

The loud signals of high prices and shortages have drawn worldwide attention to these critical short-run problems, although in many countries there are still many impediments to the working of the signal system and to effective reactions. Also, when the present "crisis" subsides and prices fall, there is danger that the world may be lulled into thinking that the long-run problems are also solved.

Detailed views of the future world food situation are outlined in comprehensive projection studies conducted by ERS, the Food and Agriculture Organization (FAO), and Iowa State University. Projected to 1985, all of these studies suggest that the developed grain-exporting countries will supply increasing amounts of grain to the developing importing countries unless these nations strengthen their production substantially.

The expected increase in grain imports has been called a food "gap" and dire implications have been drawn as to its consequences, either in terms of the balance of payments of the importing countries, or in terms of undesirable massive food aid programs. Part of the "gap," however, is the result of higher demand from expected increases in per capita incomes and food consumption in the developing countries, as well as population growth.

Cereals are likely to continue to play a dominant role in the food supply. But the developing countries did not perform nearly as impressively in producing grains as did the developed countries in the 1950's and 1960's. By the latter 1960's, the developing countries accounted for only one-third of world grain production.

Yet their grain production was by no means stagnant. Their area in grains had surged by 35 percent, thereby overtaking the grain area in developed countries, which did not expand significantly in the period. They also boosted grain yields by 32 percent, to nearly equal the developed countries' yields in the latter 1950's. These however, had advanced another two-thirds

by the latter part of the 1960's.

The Green Revolution was the basis for much of the increased yields of the developing countries. Although perhaps overpublicized, the Green Revolution has been important in hastening the adoption of new varieties of wheat and rice in some areas. Except for Mexico, however, they have been concentrated in Asia. By 1972-73, new varieties occupied about a third of the wheat area and a fifth of the rice area in the non-Communist Asian developing countries.

Within Asia, India and Pakistan together accounted for nearly 81 percent of the total new varieties wheat area. India, the Philippines, Indonesia, and Bangladesh accounted for about 83 percent of the total new varieties rice area. India alone encompassed 61 percent of the wheat and 55 percent of the rice areas.

While the spread of the Green Revolution has been rapid in some countries, it is heavily concentrated on the better land of only certain regions, where the adopters have tended to be larger, wealthier farmers. Most regions, and most farmers, of the developing world have yet to be significantly touched.

Even where the new varieties have been adopted their contribution is not well defined. Yield increases—not all of which can be attributed to the new varieties—reportedly accounted for the following increases in grain production between the early 1960's and the early 1970's: Wheat—Pakistan, 65 percent, India, 58 percent. Rice—the Philippines, 99 percent; Pakistan, 73 percent; India, 74 percent; Indonesia, 60 percent; and Malaysia, 30 percent.

To realize the full potential of the new varieties, adequate water control, fertilizer, and insect and disease controls are necessary. However, most farmers fail to adopt all of the recommended inputs and procedures.

Much concern has been expressed about the possible negative effects of the current fertilizer shortage on the progress of the Green Revolution.

Although fertilizer use in the developing countries is low, opportunities to improve fertilizer efficiency are becoming available. Development of slow-release forms of nitrogen, such as sulfur-coated urea, may boost fertil-

izer efficiency on crops such as rice. To reduce the dependence of the new varieties on nitrogen fertilizers, the shorter-season varieties may be combined with legumes in multiple-cropping systems.

Other biological forms of fertilizer have potential, but need much more emphasis in research programs.

The developing countries are very dependent on fertilizer imports. In 1972, the non-Communist developing countries imported about half their nitrogen and phosphate, and nearly all their potassium fertilizer. Although domestic fertilizer production has increased sporadically in South Asia, imports have also risen.

"In the absence of surpluses, the alternative of increasing production in the developing countries will nearly always be preferable to that of large and continuing amounts of food aid."

Current high prices of fertilizer, as well as problems in locating supplies, have caused some of the developing countries to reduce purchases. Of the larger developing countries, however, only Bangladesh reported a decrease—and only slight—in fertilizer consumption in 1973-74, compared to 1972-73. But in 1973-74, several of the developing countries did not maintain their growth in fertilizer consumption.

The current fertilizer shortage probably will temporarily slow the pace of the Green Revolution in nations that rely heavily on imports. However, it is doubtful that it will, as some have suggested, cause farmers to abandon the new varieties.

Shortages and high prices of chemical pesticides may also temporarily restrain the Green Revolution, since the developing countries are almost completely dependent on imports. Hence, for this input they are even more vulnerable than for fertilizers, although pesticides are not as widely used.

In the longer run, research may facilitate more efficient use of these chemicals. For instance, the International Rice Research Institute has developed a method for applying granular insecticide in paddy waer at the root zone.

Research may also be successful in developing disease and insect-resistant plant varieties.

The Green Revolution in wheat and rice has made significant contributions to the food supply of the developing nations and will undoubtedly continue to do so where economic conditions are favorable and necessary inputs are available. And a large untapped yield potential still resides in the seeds already developed.

The experience of the last 20 years in increasing agricultural output in developing countries provides a very solid basis for hope in the future. But to increase agricultural output in the developing countries at a faster pace, the Green Revolution must be expanded on a number of fronts. Greater efforts must be made to reach areas with poorer land and without irrigation—areas often occupied by the more poverty-stricken farmers.

Geographic and crop coverage must be extended. Some of the present new varieties probably can be adapted for use in areas not yet reached, but research on improved varieties of other crops, such as millet and sorghum, must be accelerated.

Although developing countries still have much unused arable land, they must also move more vigorously to increase output per acre. This will require research, investments, and the development of infrastructure, such as credit institutions and transportation. It will require policies designed to provide incentives to producers, rather than the disincentives all too common in developing countries.

In developed countries, high grain yields and other gains in agricultural productivity have been attained on the basis of technology developed largely by major public expenditures on research. The research underlying the Green Revolution has in part been supported by private philanthropy.

The Green Revolution has shown clearly that agricultural research can have a very high payoff in the developing countries, as it often has in the developed countries. Yet one estimate indicates that little more than one-tenth of the world's public expenditures for agricultural research in 1965 was spent by the developing countries (excluding the People's Republic of China).

One of the most encouraging lessons

of the Green Revolution is that farmers in the developing countries, when properly guided and provided with inputs and incentives, are capable of using modern technology. These farmers have demonstrated a willingness and ability to accept new ideas and to put them to use, even at considerable risk.

The past has demonstrated the possibility that governments of developing countries, in cooperation with aid from other countries and from international agencies, can marshal the infrastructure, the inputs, the extension programs, and the policies necessary to achieve rapid agricultural progress. But the political will is often lacking. If the will to achieve agricultural progress is strong enough among the government leaders who make or guide policies and the people who support them, rapid progress is possible.

Both the developed and developing countries could assist this process by reducing their barriers to imports. Agricultural and trade policies in the developed countries involve important barriers to some agricultural, as well as industrial, exports from the developing countries. Reduction of these bar-

"One of the most encouraging lessons of the Green Revolution is that farmers in developing countries, when properly guided and provided with inputs and incentives, are capable of using modern technology."

riers could provide opportunities and incentives for the developing countries to increase agricultural production or to produce and export industrial products to pay for imported food.

During this decade, and part or perhaps all of the 1980's, it is very likely that there will be some need for food aid in the developing countries, especially in times of unusual weather or other natural calamities. But food aid is unlikely to be available in the amounts that existed in the past. In the absence of surpluses, the alternative of increasing production in the developing countries will nearly always be preferable to that of large and continuing amounts of food aid.

Problems Endanger India's Role As World's Top Cashew Exporter

By JAWHAR A. THADANI
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INDIA'S CASHEW industry, until recently dominating world markets as a supplier of cashew kernels, is now facing a variety of problems that endangers its position.

The domestic supply of raw nuts for processing has been inadequate for decades, forcing India to spend precious foreign exchange to import them from suppliers that regularly move to stiffen their trade conditions. Some suppliers have also begun to process raw nuts for export, concomitantly diminishing stocks of these nuts available to India, while cutting into its traditional cashew kernel markets overseas. In addition, the Indian industry is being upset by labor unrest and a recent takeover of the import trade by a Government corporation.

India's cashew kernel industry is not only important as an employer of labor in field and factory, it also provides the country with a large share of its foreign exchange, as cashew kernel exports rank second only to jute as an earner of U.S. dollars.

Throughout the years, the United States has been the main buyer of Indian cashews, but recently there has been a gradual change in the export pattern, with larger shipments going to the Soviet Union. Emerging as the single largest importer of Indian cashews for the first time in 1969 and again in 1972 and 1973, the USSR took 20,701 metric tons of cashew kernels in the latter year, compared with U.S. takings of 20,313 tons. Canada, the United Kingdom, East Germany, and Australia were also important buyers.

Despite the drop in cashew shipments to the United States, which until recently have more or less been stable, India's total exports have grown rapidly. During India's First Five-Year Plan (April 1951-March 1956), average annual exports were 28,900 metric tons, increasing to 38,300 tons during the second plan (1956-61), to 49,700 tons

during the third plan (1961-66), and to an estimated 58,900 during the fourth plan (1969-74).

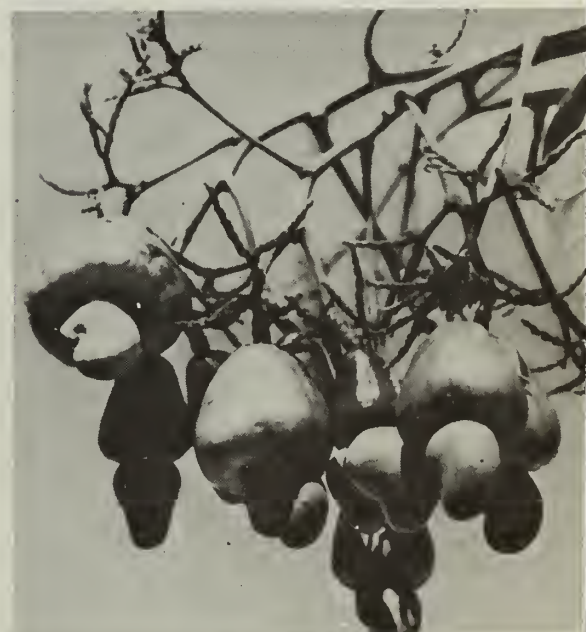
Exports of cashew kernels reached a peak of 64,543 metric tons during 1972, with shipments to the Soviet Union totaling 25,385 metric tons. Shipments to the United States in 1972 were 19,567 tons, a steep fall from the 29,309 tons exported in 1971. Total exports in 1973 were down to around 57,000 metric tons.

During the first half of 1974, January through June, exports of cashew kernels from India were lower than during the corresponding period last year. They are expected to pick up during the remainder of the year and total around 58,000 metric tons or more.

Export prices for cashew kernels were at a record high in 1973. At the beginning of the year they were 74 cents per pound, c.&f. New York, for 320 count, rising sharply toward the close of the year due to the scarcity of raw nuts and sustained export demand. During July 1973, the price was 120 U.S. cents per pound, rising even higher to 130 cents per pound in mid-December. This brought 1973's average price to 101 cents per pound, compared with 74 cents the year before.

Largely dependent on imports from East Africa for its raw nut requirements, India's total indigenous production is less than one-third that needed to fully utilize the industry's processing capacity. However, because of strong world demand, India cannot import enough nuts to completely fill the production gap, and, in fact, imports are falling off. India is boosting domestic production of cashews in an effort to fill a larger part of its needs, but at present, output is much too small to fill the shortfall.

Out of about 282,000 metric tons of raw nuts processed by the Indian industry in 1973, some 105,000 metric tons were supplied indigenously, while the rest were imported mainly from



Top, young Indian girl with a basket of cashew nuts. Although India is boosting domestic production of cashews in an effort to fill a larger part of its needs, it is still largely dependent on imports from East Africa for its raw nut requirements. However, India is having trouble importing enough cashew nuts to meet the demand of its industry because African producers are processing more of their output. Immediately above, cashew nuts on the tree. The cashew kernels are contained in the pods.

Tanzania, Mozambique, and Kenya.

India's imports of raw nuts topped out at 203,517 metric tons in 1968, but fell to 172,000 tons during 1973. The industry blames the drop on the development of processing industries in East Africa and establishment by the Government of the Cashew Corporation of India (CCI) in October 1970, as a subsidiary of the State Trading Corporation of India.

Imports through the CCI have been slow in arriving at processing plants because of procedural confusion and long-drawn delays in completing price negotiations with African suppliers. Supplies from Mozambique are slowly drying up, while those from Tanzania, India's largest supplier, are usually delayed.

Tanzania has further complicated the supply situation by changing its method of selling cashews to India. In the past, Tanzania sold its entire exportable supply of cashews to India in one sale at a flat rate. Now Tanzania plans to sell them to India in small lots at market prices in existence at the time of the sale. This will probably enable Tanzania to boost its selling prices from the US\$216-\$235 per metric ton realized in the past to nearer the \$288 per ton received by Mozambique.

As a result of the slow arrival of imports last year, most of India's processing factories were closed from November 1973 until early 1974. The factory closure led to serious economic disruptions and caused the mid-December price zoom.

The CCI has, however, arranged to import about 125,000 metric tons of raw nuts in 1974. About 30,000 tons arrived from Tanzania in mid-March and some of the factories were reopened. Another 30,000-50,000 metric tons will have to be imported during the rest of the calendar year to keep the industry going at a reasonable pace.

Some processors complain that the CCI is responsible for the import problems, that prices it charges are very high and the quality of nuts it offers is unpredictable. Others, however, want the corporation to expand its operations to take over the handling of exports. This is particularly true of the less aggressive sections of the industry. These believe such a takeover would guarantee them a minimum percentage of profit and a release from the risks involved in this highly labor intensive and speculative industry.

INDIA: PRODUCTION AND IMPORTS OF RAW CASHEW NUTS, 1970-74; EXPORTS OF CASHEW KERNELS, AVERAGE 1956-70, ANNUAL 1970-73 [In metric tons]

Item	Average 1956-60	1970	1971	1972	1973	1974 ¹
Production	67,440	80,000	112,041	103,121	105,000	110,000
Imports:						
Tanzania	—	70,220	91,868	108,937	128,282	120,000
Mozambique ..	—	81,840	58,427	65,981	33,577	40,000
Kenya	—	17,182	16,313	17,453	8,338	19,000
Other	—	1,543	851	508	1,913	1,000
Total	96,211	² 170,785	² 167,459	² 192,879	² 172,110	180,000
Exports: ^{2 3}						
United States .	25,881	23,769	29,309	19,567	20,313	—
United Kingdom ...	2,818	1,107	1,637	1,991	1,503	—
Canada	1,260	2,296	3,788	5,486	3,978	—
Australia	737	1,073	1,079	1,332	1,120	—
Other	2,185	4,540	4,905	7,188	7,536	—
Subtotal ...	32,881	32,785	40,718	35,564	34,450	—
Communist countries:						
Soviet Union	3,388	17,979	16,485	25,385	20,701	—
East Germany .	—	2,501	1,782	2,062	957	—
Other	458	806	999	1,532	938	—
Subtotal ..	3,846	21,286	19,266	28,979	22,596	—
Total	36,727	54,071	59,984	64,543	57,046	—

¹ Forecast. ² Monthly Statistics of the Foreign Trade of India. ³ Converted from data for exports of raw nuts on the basis of 4.26 metric tons of raw nuts equal 1 metric ton of cashew kernels.

But in addition to import troubles, the Indian cashew industry faces problems in the labor field. Some producers consider existing labor laws too severe and blame the minimum wage bill for sending operating expenses to higher levels than ever before. They also claim the laws are responsible for closing some of the larger and better organized processing plants on the west coast.

In order to cut costs, some cashew processing is being done in private homes, thereby avoiding payment of the minimum wage fixed by law. Other segments of the industry are said to be shifting to Tamil Nadu and other States where labor is cheap and plentiful.

World demand for cashews is increasing steadily and kernel exports can bring India a large supply of foreign exchange if sales are great enough. However, to achieve this goal, India must lessen its dependence on imported raw nuts by boosting domestic production. It must also devise methods to compete more vigorously with its African competitors, and solve internal problems that tend to interfere with the orderly flow of cashews into the export market. Accomplishing these things will hinge on cooperation between Government, industry, and labor.

Yugoslavia's Tobacco Output Unchanged

Yugoslavia's 1974 tobacco production now is estimated at 143.3 million pounds, unchanged from last year's crop. Within the total, however, production is shifting away from the traditional oriental-type toward semioriental, flue-cured, and burley varieties used in manufacturing increasingly popular blended cigarettes.

The breakdown of estimated 1974 production with 1973's in parentheses is as follows: Oriental and semioriental, 99.8 million pounds (110); flue-cured, 29.7 (21.7); burley and other light air-cured, 13 (9.8); and dark sun-cured, 732,000 pounds (1.8 million pounds). In July, the Yugoslav Government increased prices for first quality export grades by about 15 percent.

The United States, largest export market for Yugoslav oriental tobacco, took over 16 million pounds, or 42 percent, of total Yugoslav exports in 1973. Yugoslavia's shift away from oriental production, if it continues into the future, could add further pressure to international prices for this type of tobacco.

U.S. Export Sales Guidelines Set

On October 10, the U.S. Department of Agriculture issued guidelines for prior approval of export sales under a voluntary program announced October 7. Details of that program were sent to exporters October 8 followed by a revised memorandum on October 21.

Exporters of certain commodities were asked to obtain prior approval of export sales exceeding 50,000 metric tons of any one commodity to any one country, cumulative 1-week totals exceeding 100,000 tons of any one commodity to any one country, and changes of destination that would cause these levels to be exceeded.

The Department issued the following guidelines to exporters:

"On October 7, a voluntary cooperation system for prior approval of proposed export sales of certain U.S. agricultural commodities was established by the Department of Agriculture.

"The purpose of the system is to assure ample supplies for United States consumers and at the same time meet as fully as possible the requirements of U.S. customers abroad.

"In determining which proposed sales will be given prior approval and which will not, the Department will consider

the total annual requirements of the country involved and the extent to which those requirements are already covered. Factors, in addition to the U.S. availability, will include the level of the foreign country's 1974-75 crop; its stocks on hand; existing purchase contracts calling for future delivery; pro-

jected consumption; and the pattern of imports during recent years.

"The commodities currently included in this system are wheat, corn, grain, sorghum, soybeans, and soybean meal."

On October 11, the Department added barley and oats to its voluntary prior approval program.

FRANCE: Agricultural Highlights

Paris, October 3

Meat. A type of "food stamp" plan for 2.4 million of its low income population is being implemented in France to promote beef and veal sales at a 50 percent reduction in retail prices. This program—a new departure for the French—is scheduled to last through March 1975 and is aimed at an increase in consumption of 15,000 metric tons per month.

Beef production continues high in France, up 27 percent thus far in 1974, while young bull production is also up, by 81 percent.

Ireland's Ministry of Agriculture is negotiating with the French Government for the purchase of 15,000 metric tons of beef from intervention stocks. Reports are that this beef is destined for sale to East European countries.

Sugar. In spite of consumer "scare buying" stimulated by statements from the sugarbeet producer association and the resulting high volume of sugar sales during September, the marketing year ended with stocks amounting to 1-month's supply. Because of unfavorable weather, some reports place 1974-75 production of beet sugar (refined basis) at a very low level, under 3 million metric tons.

Feed industry. Because of marketing problems in the meat sector, the French compound feed industry expects total production of compound feed for calendar 1974 to remain at the same level as that of last year. Use of soybean meal declined during the first half of the year (because of high prices), and increased the second half; thus, total use is expected to be at the same level as that of last year, or around 1.5 million tons.

Fruits. The projected decrease of French production of deciduous fruits from last year's level has been confirmed. Output is down 24 percent for apples, 22 percent for pears, and 26 percent for peaches.

Under the pressure of deciduous fruit producers, the French Prime Minister at the Annual Conference (held between the Prime Minister and French farm organizations) stated that France will ask European Community members to strengthen the principle of "Community Preference" and to be more restrictive in the regulation of imports of fresh deciduous fruits from third countries during the months of competition with European production.

Tobacco. According to the tobacco monopoly, SEITA, the sales volume increased 6.4 percent at retail for the first 4 months of calendar 1974.

Market development. A six-company U.S. export sales team exhibited its institutional food items at the U.S. Trade Center in Paris on September 30 and October 1. Among the 82 companies registered were most of the major institutional food distributors and operators in the Paris area.

During November 12-18, SIAL, the biannual international food show, will be held at Porte de Versailles, Paris. Participation, based on floor space rental, is up 26 percent with a 33 percent increase for French food firms.

The French Government and farm organizations are stressing higher exports of agricultural products as a major earner of foreign exchange. The Government announced the first week of October that the export credit aids announced for industrial products several months ago will be extended to processed food items.

U.S. Cotton Exports Down

U.S. raw cotton exports in August of 261,000 running bales were at the second highest level for that month since 1966, but were 21 percent below exports in August 1973. The slow exports are attributed to a tight supply situation prior to the new crop harvest and to some uncertainty over new ocean freight rates to Far Eastern markets, which became effective August 1.

August shipments to European destinations of 28,000 bales were 18 percent below exports for the same month of 1973 and represented 11 percent of exports to all destinations. Exports to Asia and Oceania of 189,000 bales were 30 percent below those of August 1973 and accounted for 72 percent of total August exports, compared with 82 percent a year ago. Exports to Africa and the Mideast totaled 20,000 bales, a four-fold increase from the level a year earlier, and accounted for 8 percent of total shipments. U.S. exports to Canada in August totaled 24,000 bales, 23 percent above those a year earlier, or 9 percent of total exports.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Oct. 22	Change from	
		previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 1 CWRS-13.5.	6.64	+6	6.18
USSR SKS-14	(¹)	(¹)	(¹)
Australian FAQ ²	(¹)	(¹)	(¹)
U.S. No. 2 Dark Northern Spring:			
14 percent	6.36	-1	5.46
15 percent	(¹)	(¹)	(¹)
U.S. No. 2 Hard Winter:			
13.5 percent	6.29	-2	5.62
No. 3 Hard Amber Durum	8.43	-12	7.02
Argentine	(¹)	(¹)	(¹)
U.S. No. 2 Soft Red Winter.	(¹)	(¹)	(¹)
Feedgrains:			
U.S. No. 3 Yellow corn	4.27	+6	3.11
Argentine Plate corn	4.47	+6	3.38
U.S. No. 2 sorghum	4.21	+7	3.30
Argentine-Granifero sorghum	4.25	+10	3.30
U.S. No. 3 Feed barley	3.65	+1	3.00
Soybeans:			
U.S. No. 2 Yellow	9.11	-85	6.00
EC import levies:			
Wheat	0	0	0
Corn	0	0	.39
Sorghum	0	0	.29

¹ Not quoted. ² Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Prices Up As Colombia Ends Wheat Subsidy

Elimination of the wheat subsidy in Colombia has resulted in higher bread prices, up to 100 percent in some cases, and in prices of pasta products, up by 80 percent. The volume of wheat imports is expected to be down by some 10-20 percent, depending on the amount of wheat imported during the last 3 months of 1974. Colombia imported 401,101 metric tons of wheat in 1973.

The Government will continue to issue import tenders as requested by Colombian millers, but price will influence import volume, which is expected to be down not only for 1974 but also for 1975. Wheat, mixed with domestic rice and especially corn flour, is expected to be used more widely for bread and pasta products. A sharp increase in the price of corn, however, is expected to result from this change in policy.

Japan's 1974 Rice Crop Estimated

Based on harvesting conditions as of September 15, the first official estimate of Japan's 1974 rice crop places production at 12.358 million metric tons (brown rice basis), on 209,000 tons above that of 1973. Area planted to rice is estimated at 6,731,000 acres. This is an increase of 252,042 acres over the 1973 level, chiefly because of termination of payments to leave rice land fallow. Based on a recent unofficial estimate of rice consumption of 11.5 million tons, stocks are expected to increase by about 500,000 tons.

Mexico's Bean Supplies Tight

Currently, Mexico is experiencing a very tight edible dry bean situation. Poor growing conditions in some areas and an early frost in several important bean-growing Provinces have combined to reduce production, which now is estimated at the 1973-74 level of 1.1 million metric tons. Exports of all types of edible beans have been banned since January. Imports for 1974-75 are estimated at 70,000 tons, compared with only 10,000 for last year's imports. The United States is the major supplier of bean imports.

Turkey Accepts Bids for Wheat

Trade sources indicate that Turkey, following its recent tender for 500,000 metric tons of wheat, has accepted bids totaling 454,000 metric tons. Most, if not all, of the wheat will be of U.S. origin, No. 2, Hard Winter, or Soft Red Winter.

Shipment is scheduled for June-July 1975. In view of the shipment dates, a drawdown of Turkey's wheat stocks to about 800,000 tons is anticipated, because these purchases will not become available until July 1, 1975.

Argentina's 1974-75 Wheat Crop Estimated

The second official estimate of the 1974-75 wheat crop in Argentina has placed the area planted at 12,478,550 acres, or 18.8 percent above the 10,506,692 acres planted last year. The trade currently expects production to range between 7 million and 7.4 million metric tons, of which 600,000 tons will consist of Durum. Production is not expected to keep pace with the increased acreage because of the lack of moisture in the southern part of the Buenos Aires Province. Argentina produced about 6.7 million tons in 1973-74.

Chile Raises Wheat Prices

On October 5, the Government of Chile increased the selling price of wheat to millers from 146,000 to 220,000 escudos per metric ton. At the same time, the price of standard bread was raised from Eo240 to Eo380 per kilo in Santiago and to Eo400 in Valparaiso. (Eo450=US\$1.)

The aim of the Government is to achieve free market prices

for wheat as well as for other agricultural commodities. Indications are that the Government will continue to increase wheat prices until free market levels are achieved. Increased bread prices are expected to decrease bread consumption, which in turn will reduce wheat imports. Baking tests utilizing up to 10 percent potato flour in bread currently are underway, but the Government has not announced the results of the tests or any further action that will be taken.

Denmark Reports Record Grain Crop

The first official estimates of Denmark's grain crop places total grain production at 7,334,000 metric tons. This is 14 percent more than was forecast in August, 11 percent more than the 1973 output, and 4 percent higher than the previous record crop in 1972. Despite the driest spring on record, yields were high as a result of exceptionally good growing conditions after mid-June.

Denmark presently is expected to be a net exporter of 540,000 tons of grain in 1974-75, compared with net imports of 152,000 tons in 1973-74. Barley exports could reach 650,000 tons, while exports of wheat are expected to exceed 150,000 tons despite increased domestic feeding.

TOBACCO

Turkey Ups Tobacco Prices

The Turkish Ministry of Commerce recently announced sharply higher minimum export prices for 1973 crop oriental tobacco. The prices announced for Aegean leaf, which comprises about 70 percent of Turkey's production, range from US\$1.34 per pound for American grade to 20 U.S. cents per pound for scrap. These prices are up 40 percent over 1972 crop prices and more than 80 percent above those for the 1971 crop.

Tighter supplies are contributing to the higher prices. Turkey's 1973 crop is estimated at 333 million pounds, down 16 percent from the 396 million pounds produced in 1972. Also, Turkish Tobacco Monopoly stocks were significantly reduced during 1973.

Turkey normally exports well over half of its annual production. The United States, the major export market, took 111 million pounds of leaf and 7 million pounds of scrap from Turkey in 1973. This represented 44 percent of total U.S. imports of unmanufactured tobacco.

Prices for oriental in other major producing countries also have risen. Reports from Greece indicate prices currently being paid to producers are up 20 percent for 1973 crop tobacco, now being marketed. Earlier this year the Government of Yugoslavia announced price increases averaging 15 percent for export tobacco.

Greece and Yugoslavia are the second and third leading suppliers of oriental tobacco to the United States. In 1973, the United States imported 27 million pounds from Greece and 16 million from Yugoslavia at an average value of about 75 U.S. cents per pound. Greece's and Yugoslavia's 1973 crops are estimated at 170 million and 116 million pounds, respectively, up 6 and 10 percent over 1972 production.

Oriental tobacco is a major ingredient in American cigar-

ettes and in the popular American-type blends manufactured in Western Europe and Japan.

Although stocks of oriental tobacco held in the United States have been maintained at near normal levels, prolonged higher prices for oriental in the major producers could encourage manufacturers to look elsewhere for this type of leaf and to consider reducing the oriental component in their cigarette blends.

In recent months, demand has strengthened for Italian oriental and semioriental types, which were once in considerable surplus. Bulgaria, the world's third largest producer of oriental, could become a supplier to the United States, depending on the outcome of efforts to obtain most-favored-nation duty status.

Oriental Tobacco Down in Greece

Official estimates indicate Greece's 1974 exportable oriental tobacco crop will be 125.7 million pounds. This is 11 percent less than earlier estimates and 7 percent below the 1973 crop. Dry weather and resulting low yields are blamed for the short crop. The reduced supply will put additional upward pressure on export prices that jumped 10 percent during calendar 1973.

Greece was the second largest supplier of U.S. leaf tobacco imports in 1973. The United States took 24.8 million pounds valued at \$19.8 million (80 cents per lb.). Oriental-type tobacco makes up about 15 percent of the blend in the traditional "American" cigarette. The United States does not produce any oriental-type leaf and over 85 percent of the U.S. requirements are supplied by Greece and Turkey.

World Cigarette Output Continues to Gain in 1973

World cigarette output continued to trend upward and set new records in 1973. Cigarette production gained 3.7 percent to reach a new record of 3,570 billion pieces. This rate of increase was less than the 4.2 percent gain occurring from 1971 to 1972, but was slightly above the 3.6 percent compound average annual growth rate of the 1960's.

The United States, the world's largest cigarette producer, set a new production record of 644.2 billion pieces, 7.5 percent over the 1972 record. The increased output was distributed over a 4.3 percent increase in consumption, a 20 percent jump in cigarette exports, and some inventory building.

Cigarette output in the two largest U.S. leaf tobacco markets, the European Community and Japan, was up 5.3 and 4.7 percent, respectively. This indicates continuing strong demand for U.S. leaf tobacco in these areas, which took 69 percent of U.S. leaf exports in 1973.

Although cigarette output continues to trend upward and demand for leaf tobacco increases, there appears to be a continuing loss in leaf utilization per unit of cigarette output. Leaf use per cigarette has not kept pace with industry growth in a number of major producing countries. This declining utilization is the result of increased use of filter-tipped cigarettes, some trend toward mini-cigarettes and thinner cigarettes in some markets, a greater utilization of stems and other by-products, a more loosely packed tobacco column in many areas, and the increased use of manufactured tobacco sheet.

Higher leaf prices and tight world supplies are causing many manufacturers to look with increased interest to synthetic

tobacco substitutes. Consumer reaction to these products, as well as the cost of production, will determine the extent to which they displace leaf in the future.

Australia Phases Out Tobacco Advertising

The Australian Federal and State Health Ministers recently reached agreement on further action to phase out tobacco advertising. They will work toward implementation of an earlier proposal to require health warnings in newspaper and magazine ads in addition to those already required on television and radio. The proposal calls for individual state legislation to make the warnings mandatory by September 1975.

The Ministers also noted, without making a commitment, that the Australian Government's policy is to completely phase out cigarette and tobacco advertising on television and radio by September 30, 1976.

The proposed warning requirements are not expected to affect U.S. tobacco exports to Australia, which totaled 19.6 million pounds of leaf tobacco valued at \$23.7 million in fiscal 1974.

DAIRY AND POULTRY

Canada Delays Prohibition Of Wine, Cheese Imports

At the request of the United States, Australia, and South Africa—the countries mainly affected by the proposal—the Canadian Department of Consumer and Corporate Affairs has extended until November 27, 1974, the period for comment on its proposed new rules of appellations of origin. As previously reported, these rules would prohibit the import of a long list of American wines as well as of four types of cheese. The rules also affect about 20 other commodities, ranging from cigars to blankets.

Top officials of both the California Wine Institute and the American Cheese Institute have visited Ottawa to express their opposition. The United States is in the final stages of drafting a strong protest urging that specific changes be made in the proposal to protect consumers against deceptive geographical terms while permitting trade to continue unimpeded. Currently, Canada is the largest export market for wines produced in the United States.

Danish Broiler Stocks Reduced

Sales of Danish frozen chickens to Iran and Cuba largely have eliminated Denmark's surplus stocks problem for this commodity. The recent sale of 500 tons to Iran (after previous sales this year of 1,000 tons), plus an 8,000 ton agreement with Cuba in September, are equivalent to a full-month's normal exports.

A Danish mission will visit Cuba in November to seek additional sales.

Italy's Broiler and Turkey Output Up

Broiler and turkey production in Italy in 1974 is expected to increase by roughly 7 percent, while imports will be minimal. Per capita consumption is likely to reach a record 36.5

pounds, up 4 percent from that of 1973, in spite of rising prices. At this level, consumption of poultry meat will exceed that of pork. Increased poultry consumption reflects official efforts to shift demand to cheaper meats. These measures include a 25-percent advance deposit on imports of beef and certain cattle, as well as an increase in the value-added tax on beef and veal, effective in July 1974, from 6 to 18 percent. These measures are in addition to the embargo on beef imports that has been imposed throughout the European Community.

Japan's Dairy Cow Numbers Reported

The number of dairy cows in Japan is continuing to show a decline that began in 1973. Between 1973 and 1974 the decrease amounted to 1.6 percent. Slaughtering rates for culled dairy cattle seem to be increasing; in May rates were 4 percent above those of May 1973, and in June were 19 percent above June levels last year.

The number of dairy cattle per farm continues to increase. Average number of cows per farm in 1974 is placed at 10 cows, about double the 1969 average.

EC Dairy Product Prices May Rise

The recently announced 5 percent increase in Common Agricultural Policy prices is expected to lead to immediate increases in consumer prices for dairy products in the European Community. Prices paid by dairies for milk in West Germany, for example, will be increased by 2.5 pfennings per kilogram or from 43 to 45.5 pfennings per kilogram.

This price increase in raw product cost will probably be coupled with increases in nonfood costs, such as packaging. As a result, total increase in consumer prices for fluid milk in West Germany will be up from 96 to 100 pfennings per kilogram, while butter prices are expected to rise by about 0.40 to 8 Deutsche marks per kilogram (DM2.95=US\$1).

FRUIT, NUTS, AND VEGETABLES

Finland Eases Fruit Access

Presumably because of the smaller apple and pear crops on the European Continent, Finland has advanced its low duty period for apples from December 10 to November 20 (15 percent ad valorem), and for pears from December 1 to October 28 (8 percent ad valorem).

Last season, the United States exported approximately 101,000 cartons of apples and 12,000 of pears to Finland.

California Lemons Available in Moscow

California lemons from the nearly 4,257 metric tons shipped to the USSR during May, June, and July were available in select locations in Moscow during August and September. Street vendor prices approximated an equivalent of 47 U.S. cents per lemon. This is the second straight year that the USSR has purchased California lemons; last year purchases totaled 5,178 metric tons. No additional purchases of U.S. lemons are expected this year.

The USSR's per capita consumption of citrus fruit is believed to be very low. Domestic citrus production, mostly

satsuma oranges, is plagued by frost, wind, pests, and disease, and fruit quality is generally poor. As a result, most of the fresh citrus available in the Soviet Union is imported. During 1969-72, USSR imports of lemons averaged 55,000 metric tons, and came mostly from Italy, Turkey, and Greece.

Canada's Potato Crop Forecast Increased

Based on conditions on September 15, Statistics Canada released the following 1973 and 1974 potato production figures by Province. These figures represent an increase in total 1973 and 1974 production of 1,025,000 hundredweight (cwt.) and 1,866,000 cwt. respectively from the estimates released on August 15.

CANADA: POTATO PRODUCTION, 1973-74
[In 1,000 cwt.]

Province	1973	1974
Prince Edward Island	9,553	9,300
Nova Scotia	557	715
New Brunswick	10,256	11,140
Quebec	7,275	8,350
Ontario	7,265	7,225
Manitoba	4,400	4,500
Saskatchewan	580	575
Alberta	4,500	3,500
British Columbia	3,200	3,100
Total	47,586	48,405

OILSEEDS AND PRODUCTS

Soviets Offer

Palm Oil to India

A trade report indicates that the Soviet Union has offered to supply India with 10,000 metric tons of palm oil as a substitute for a previous Soviet commitment to supply 10,000 metric tons of sunflower oil. The India Vanaspati Association indicates that the substitution would not be welcome.

In spite of the record sunflower crop in the USSR in 1973, that country has been a reluctant seller of sunflower oil in the European market and now appears to be withholding supplies committed under previous bilateral aid agreements. The world price of sunflower oil has risen sharply and now approximates \$1,200 per ton, basis European ports, while Malaysian palm oil can be purchased for about \$800 per metric ton.

Canada's Oilseed Crops Estimated

Production estimates, based on yields as of September 15, indicated decreased output for Canada's 1974 rapeseed, flaxseed, and soybean crops.

Rapeseed production, at 52.25 million bushels, declined 4 percent from the August estimate of 54.7 million bushels and 2 percent from the 1973 crop of 53.2 million. Early frosts in the Prairie Provinces reduced the average yield to 16 bushels per acre from an average 16.9 bushels last year. The rapeseed area, however, increased to 3.26 million acres from 3.15 million in 1973.

The flaxseed crop was the hardest hit by the early frosts. Production in 1974, at 16.3 million bushels, was down 9

percent from the August estimate of 18 million bushels and 16 percent down from last year's 19.4-million-bushel crop. Average yield per acre dropped to 10.9 bushels from 13.4 bushels in 1973. This year's acreage, at 1.5 million acres, increased slightly from the 1.45 million planted in 1973.

The first official forecast of soybean production, at 12,375,000 bushels, indicates a decline of 15 percent from 1973's crop of 14,570,000 bushels. Although some of the decline resulted from a slight decrease in planted area (450,000 acres in 1974, compared with 470,000 in 1973), most of the decline can be attributed to an 11 percent decrease in the average yield, which fell to 27.5 bushels from 31 a year ago. Most of Canada's soybean crop is grown in Ontario.

USSR Sunflowerseed Crop Estimate Lowered

Sunflowerseed production in the USSR now is estimated at 5.9 million metric tons, 900,000 tons less than last year's record crop. According to the U.S. Agricultural Attaché in Moscow, cold, wet weather during the spring delayed seeding operations, reducing sown area to 11,426,000 acres, about 3 percent less than last year's harvested acreage. Press reports also indicate that the harvest has been delayed because of unfavorable weather and that only average yields are expected.

Revised estimates for oil and meal production from this year's crop are 2.47 million and 2.13 million metric tons, respectively. Consequently, during the coming year, Soviet output of oil should be down by 375,000 tons and meal down by 325,000 tons from this year's peak levels.

Frost Hits Tung Nuts In Argentina, Paraguay

Severe frosts in Argentina and Paraguay between mid-August and mid-September during tree blossoming probably will cause sharp declines in tung oil production next year, according to the U.S. Agricultural Attaché in Buenos Aires. For 1973-74 tung oil output in Argentina and Paraguay has been estimated at 24,500 and 15,000 metric tons, respectively. Because of the frosts, oil output from the 1974-75 crop is forecast at 10,000 tons for Argentina and 5,000 tons for Paraguay. Argentina and Paraguay traditionally supply between 65 and 70 percent of the world's tung oil exports, with the People's Republic of China as the only other major alternative supplier. The United States, the world's leading importer, imports 9,000-10,000 tons of tung oil annually.

Other Foreign Agriculture Publications

- World Poultry Meat Production Continued Uptrend in 1973, Only Moderate Increases Expected in 1974 (FPE 2-74)
- U.S. Trade in Poultry and Eggs Up in 1973 (FPE 3-74)
- U.S. Cotton Exports Reach 5.7 Million Running Bales (FC 18-74)
- U.S. Trade in Livestock and Livestock Products for July (FLM-MT-9-74)

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Mideast-North African Farm Imports

Continued from page 4

Vegetable oils. U.S. exports of vegetable oils to the Mideast and North Africa rose from \$66 million to \$117 million between fiscal 1973 and 1974, with Iran and Egypt receiving 86 percent of the total. Sales to Egypt, the main market for cottonseed oil, actually declined in quantity last year, but sharply higher prices boosted value by \$7.7 million to \$44.3 million.

Iran, a rapidly growing outlet for soybean oil, took 75,857 tons of oil in fiscal 1974—twice the volume of the previous year. Much larger deliveries of soybean oil to Iran are under way this year.

The major U.S. competitor in the oil market—the Soviet Union—is shipping considerable amounts of sunflower oil to Iran and Iraq, following a decline in its exports to the Middle East in calendar 1973. However, smaller supplies of Soviet sunflower oil are expected in calendar 1975.

Tobacco. U.S. exports of tobacco to the Middle East and North Africa climbed 49 percent in fiscal 1974 to \$12.9 million and are expected to show further growth to about \$25 million in fiscal 1975.

Tobacco exports to Egypt could reach \$25 million in fiscal 1975—10 times the \$2.5 million recorded in fiscal 1974—reflecting rising use of U.S. leaf tobacco in the manufacture of high-quality cigarettes.

U.S. exports of tobacco to Syria increased sharply in July and August 1974. Exports of tobacco to Syria alone in fiscal 1975 are likely to be much larger than the \$1.8 million recorded for all U.S. farm products to that country in fiscal 1974.

U.S. prospects in Iran, Iraq, and Lebanon are more limited, mainly because of policies allowing large imports of cigarettes. In addition to rising tobacco imports, the Mideast now includes some of the largest markets for U.S. cigarettes, including Lebanon, Kuwait, and Saudi Arabia.

Livestock and meat products. Reflecting rising demand for higher quality agricultural products, the Middle East and North Africa are taking larger amounts of U.S. livestock and livestock products.

One of the results of increased prosperity in the Mideast and in North Africa has been a boom in soap sales there and hence in demand for one of soap's major ingredients—tallow.

In fiscal 1974, U.S. tallow exports to the Mideast more than doubled the fiscal 1973 level, reaching \$60 million. Largest markets are Egypt, Algeria, Iran, and recently Iraq—while major competitors are European countries and Australia.

Europe and Australia supply most of the region's rising imports of powdered milk, but the United States has expanded sales of milk to Saudi Arabia.

Frozen U.S. poultry supplies are gaining ground in the Mideast, with sales to Saudi Arabia alone doubling in fiscal 1974 to \$400,000. In addition, Egypt is expected to resume purchases of frozen beef and poultry from the United States this year.

There is, however, strong competition coming from frozen poultry shipped by Denmark, the Netherlands, and France, whose total sales now exceed 20,000 tons annually. Kuwait, Saudi Arabia, and the United Arab Emirates are some of the fastest growing markets.

U.S. beef exports to the Arabian Peninsula are rapidly expanding, with value likely to surpass \$1 million in fiscal 1975. These countries are also growing customers for canned and luncheon meats, valued in fiscal 1974 at \$2 million.

Programs to improve livestock breeds have resulted in larger exports of live animals from the United States to Iran, Algeria and Egypt, with Iran slated to import more than 600 head of U.S. cattle in calendar 1974.

Fruits, vegetables, and preparations. The Mideastern and North African market for these products more than doubled in fiscal 1974 to \$14 million. The major markets were Algeria, Saudi Arabia, and Kuwait. Included in the total were sales of pulses to Algeria and tomato products and canned fruits to Saudi Arabia, Kuwait, and Gulf shiekdoms.

Cotton. Even though it boasts such important cotton-producing countries as Turkey, Egypt, and Iran, the area may become a market for certain types of U.S. cotton. Egypt, for instance, has expressed interest in importing U.S. upland cotton during fiscal 1975. This cotton will be imported at market prices and will probably be used for manufacture of textiles for domestic use, which currently take medium- and long-staple cotton. Egypt thus will be able to export more of its higher priced extra-long, staple cotton.

Algeria and Morocco, already customers for U.S. cotton, may also increase their imports, while other countries could become markets for certain types of U.S. cotton in coming years.